

<Vialog Group Communications Conference Call>  
<Confirmation Number: 2610026>  
<Date: December 7, 1999>  
<Time: 2:00pm EST>  
<Header: Baker & McKenzie>  
<Host: Susan Braden>  
<Length of Call: 100:13>

SUSAN BRADEN: Do we have anybody from Wherton (ph) or Wheeling?

UNIDENTIFIED CALLER: Yes.

JACK DESHIRE (ph): It's me Jack, and I'm here with Paul Moony (ph) and Andy Revholz

BRADEN: and what about Wherton (ph)?

OPERATOR: We have Mr. Reeder and Mr. (INAUDIBLE) is here.

BRADEN: OK. I just didn't ... so I think we have most of the company people here. Why don't I begin on the company list and then we'll go to the financial advisor list that I have. Is that ok with everybody.

I'm Susan Braden. I represent Gulf State Steel and I am a little bit of a den mother, I suppose, for this meeting this morning, this afternoon, depending on your time zone. Ken Johnsen, I know he's here from Geneva Steel, Ken who else is with you?

KEN JOHNSEN (ph): I have representatives from Blackstone as well Dennis Wanlass our CFO.

BRADEN: OK, when we go to the Blackstone and we get to them. Jack Deshire (ph) I know is there for Wheeling Pittsburgh and who else is with you Jack?

DESHIRE: Paul Mooney (ph), the CFO, and Andy Revholz.

BRADEN (ph): And how do you spell Andy's last name.

DESHIRE (ph): R E V H O L Z

BRADEN: And his title?

DESHIRE (ph): Treasurer.

BRADEN: OK, and Wherton (ph) Steel?

DICK REEDER (ph): Susan, I'm here, Dick Reeder.

BRADEN: Oh, hi Dick, and who's with your team?

REEDER (ph): We've got Mark Caplin (ph), (INAUDIBLE) and Dave Roberts (ph).

BRADEN: And Tamara (ph), I know you're there. And Roger will be joining us as some point?

OPERATOR: Bill Brewer has joined.

BRADEN: Ed Weber, I know, Ed you're there.

ED WEBER: Yes I'm here.

BRADEN: On behalf of Acme Metal <Company: Acme Metals Inc.; Ticker: AMI; URL: <http://www.acmemetal.com/>> ?

WEBER: Yes and Acme Steel and we have the Wasserstein (ph) people will be here with us. And Jim Hoekwater my treasurer who should be calling in from Chicago.

BRADEN: And how do you spell Jim's last name?

WEBER: H O E K W A T E R

JIM HOEKWATER: I'm here and I'm in Toronto.

WEBER: Oh, you're in Toronto, good enough. Well, you're running around Jim.

BRADEN: All right, and is there any one else from Gulf State Steel or Watermill Ventures (ph) on?

STEVE CARROL (ph): I'm here Susan. Steve.

BRADEN: Steve Carroll (ph).

All right, I have a Herb Wonder (ph) from Council for Northwestern Steel and Wire (ph).

HERB WONDER (ph): Yes, I'm here.

BRADEN: And a John Steinhar (ph) from Reserve Group.

JOHN STEINHAR (ph): Yes, I'm here.

BRADEN: OK. Are there any other company people or company lawyers representing on the phone.

OK, we'll go to financial advisors and I have these not in any particular order, but in the – if there are additional people from the entities maybe they could identify themselves. For Lehman Brothers <Company: Lehman Brothers Holdings Inc.; Ticker: LEH ; URL: <http://www.lehman.com/>> , who do we have on the phone?

GLEN TILLIS (ph): You have Glen Tillis (ph), Jeff Seaman (ph) and Steve Cruz (ph) and Rob Hogan.

BRADEN: And I also had a Mike Apt (ph) and a Mike Schwartz (ph), are they – or Jeff Apt (ph) and Mike Schwartz (ph), are they participating?

MIKE SCHWARTZ (ph): Mike Schwartz (ph) is on.

BRADEN: And Mr. Apt (ph)?

TILLIS (ph): It looks like he has not gotten on yet.

BRADEN: OK. And Mr. Rob, how do you spell your last name, please?

ROB HOGAN: Hogan, H O G A N.

BRADEN: OK, and then I have for Salomon Smith Barney, a Michael Caymen (ph).

MICHAEL CAYMEN (ph): Yes

BRADEN: Is there any – gentlemen from your organization?

CAYMEN (ph): One of my colleagues from Citibank <Company: Citigroup Inc.; Ticker: C; URL: <http://www.citigroup.com>> , Keith Caraco, should be joining.

BRADEN: Yes, and from Citibank, I know Mr. Caraco (ph) is on the phone and Mr. Caraco (ph) who else is with you from Citibank, please?

KEITH CARACO (ph): David Jaffy (ph).

BRADEN: OK.

CARACO (ph): Tony Boone (ph)

BRADEN: I'm sorry, Tony Boone (ph).

CARACO (ph): Yes, and Nicole Burns (ph).

BRADEN: All right, Bank of America I have a number of people here, first of all Robert McGuire (ph), and a Tom Carloff (ph).

TOM CARLOFF (ph): Tom Carloff (ph) here. I don't believe Bob McGuire's (ph) going to be on.

BRADEN: OK, are there any other participants from Bank of America?

CRAIG REESE (ph): Craig Reese (ph) is here from Bank of America.

BRADEN: I'm sorry.

REESE (ph): Craig Reese (ph)

BRADEN (ph): Craig Reese (ph). And anyone else from Bank of America?

LEVELL: Mike Levell (ph), Troutman Sanders (ph) council is here.

BRADEN: OK, Fleet?

MARK GERTZOFF (ph): Yeah, you have Mark Gertzoff (ph), and then I have with me Chris Gentry (ph) and Andy Papas (ph).

RICK GERE (ph): You also have Rick Gere.

BRADEN: It's Andy Papas (ph)?

ANDY PAPAS (ph): Yes

BRADEN: PNC <Company: PNC Bank Corporation; Ticker: PNC; URL: <http://www.pncbank.com/>> , Mr. Rutherford (ph).

MR. RUTHERFORD: Yes, and there is no one here with me.

BRADEN: OK. Is there a Reese Chapman (ph) from Bank of America here?

CARLOFF (ph): No he is not.

BRADEN: OK, and I ...

OIPERATOR: Pardon me Jeff Apt (ph) has joined.

BRADEN: I'm sorry, Jeff who?

JEFF APT (ph): This is Jeff Apt (ph) from Lehman Brothers.

BRADEN: Ah, OK, I have a Ronald Dates (ph),

RONALD DATES (ph): Dates,

BRADEN: Dates from Walagotchall (ph). OK, your counsel to Citibank, Citicorp.

DATES (ph): Yep, and Eric Wise (ph) is with me.

BRADEN: OK MacDonald Group (ph).

MATT MANTHORPE (ph): Matt Manthorpe (ph) from MacDonald Investments (ph).

JEFF FRANKEL (ph): Franco (ph) also here.

JOE CARSON (ph): And Joe Carson (ph)

BRADEN: Timothy Coleman (ph) from the Blackstone Group.

TIMOTHY COLEMAN (ph): Yes I'm here and I'm here with Nick Leon (ph) and Greg Scott (ph).

BRADEN: T J Simon (ph), I have a Mr. Resnick (ph), David Resnick (ph)?

BERNARD DOUTON: No, you have Bernard Dutton and Bill Shaw.

BRADEN: And the other people I had were a Resnick (ph) and Peter Salmon (ph). Are any of those gentlemen going to participate?

DOUTON: I believe not.

BRADEN: Martin Lewis (ph) from Wassetien (ph) Perela (ph). He's not on, but Ed you said he would be.

WEBER: He's here and Peter Rothschild (ph) is here.

BRADEN: And Peter Rothschild (ph). Mr. Wheedon (ph), Bob Wheedon (ph) from Payne Weber.

BOB WHEEDON (ph): Yes I'm on.

BRADEN (ph): And Jim Murphy (ph).

JIM MURPHY (ph): Yes, I'm here.

BRADEN (ph): And anyone else from Paine Weber?

MARK BERNSTEIN (ph): Mark Bernstein (ph).

BRADEN: Mr. Presser (ph), from Callen and Company (ph).

MR. PRESSER (ph): Yes, I'm here and I'm here with Brian Riley (ph), and Gene Callen (ph).

BRADEN: And Mr. Bensinger (ph) is there for General Electric Capital Corporation and anyone else with you David?

DAVID BENSINGER (ph): Yes, Jim Wells and Cam Cheung.

BRADEN: I'm sorry, what was the last name.

BENSINGER (ph): Wells, W E L L S, and CAM CHUNG, C H E U N G. The structured financial group for GE capital.

CHUCK FENTON: Susan, you have other G E Capital Folks as well.

BRADEN: OK

FENTON: Chuck Fenton, and Tom Moranty (ph).

PETER SMITH (ph): And Peter Smith (ph) from G E Capital.

BRADEN: OK. Mr. Fenton's name I'm sorry I didn't get his first name.

FENTON: Chuck

BRADEN: Chuck. And from the Gordon Group, a Pat Caldwell (ph).

PAT CALDWELL (ph): Yes, I here with Matt Kimble.

BRADEN: And John Boll (ph) from Brian Cave (ph).

JOHN BOLL (ph): Yes, I'm here.

BRADEN: And who is your client, Mr. Boll (ph)?

BOLL (ph): LeQuete Steel (ph).

BRADEN: OK, and I had a Craig Izzo (ph).

CRAIG IZZO (ph): Yes, from Ernest and Young.

BRADEN: From Ernest and Young.

IZZO (ph): Matt Spillman's (ph) here with me also.

BRADEN: Matt Spillman.

IZZO (ph): Correct.

BILL DOEPKE: Also from Ernst and Young there's Bill Doepke, Paul Dami.

BRADEN: OK, hit me with Bill's last name again.

IZZO (ph): Doepke, there's Paul Dami, and Katie Stein (ph).

BRADEN: I beg your pardon, but Paul's last name again is?

IZZO (ph): Dami, D A M I, Dami.

BRADEN: OK these are the people that I have on the list that we had people call in on. If there is anyone else on the conference call, could they identify themselves and who they represent.

MARK ELLENBERG (ph): Yeah, Susan, my name is Mark Ellenberg (ph), and I'm an attorney with Cadwilder (ph) and I represent Geneva.

MATTHEW BOTICA: Susan, it's Matthew Botica, with Winston and Strom (ph) and on behalf of G E C Safe.

BILL BREWER: It's Bill Brewer, I'm Matt's partner. I'm also on the phone, that's Brewer.

BRADEN: OK, anyone else.

RICHARD SELTZER: Richard Seltzer from Cone Weis & Simon (ph) in New York and I represent the Steel Workers Union.

BRADEN: OK,

ALICIA BANKS (ph): Alicia Banks (ph) with Ernest and Young, representing North (INAUDIBLE).

BRADEN: I'm sorry Felicia (ph), Bank

BANKS (ph): Banks.

BRADEN: And you're with Ernest and Young.

TOM BECKET (ph): Susan, my name is Tom Becket (ph). I'm at the law firm of Parsons Bailey and Lattimer (ph), in Salt Lake City, representing the committee of unsecured creditors of Geneva.

BRADEN: All right, hopefully we'll be able to identify from the operator who comes on after this. I'm going to begin now by hitting star zero and that will signal the operator to begin a tape, so if anybody objects to being taped they should hang up. This will be recorded and the tape will be sent directly to Dan See (ph) at the Department of Commerce for their use on putting this on the public record. I will also be responsible for writing up a list of attendance hopefully and re-circulating this. I'm sure I've gotten some names misspelled. If you would correct those when you see them and know that directly, I'd appreciate it.

Dan, what I think I'll do is just return the agenda over to your group first and you can identify who is participating on behalf of the Steel Loan Guarantee Board Staff.

JOHN ORZAG (ph): This is John Orzag (ph), I'm the policy director at the Department of Commerce, and I'm here with ...

OPERATOR: Pardon me conference coordinator did anyone signal my assistance?

BRADEN (ph): I want the tape started.

OPERATOR: OK, maam.

ORZAG (ph): Why don't I start over for the record. Just as background for anyone who might be concerned. We have ex parte communication rules and we just need to ensure that any information that is provided here is also made available to the public, so that's the reason for it. My name is John Orzag (ph), I'm the Director of Policy here at the Commerce Department. I'm joined by Jay Didis (ph) who is the new Executive Director of the Steel Loan Guarantee Board. Why don't I just let Jay (ph) start and give some background and I think answer some of the questions that we've heard in the past and then open it up to questions for you all to ask.

JAY DIDIS (ph), EXECUTIVE DIRECTOR, COMMERCE DEPARTMENT: OK, thanks John (ph). I think that we're all cognizant of the basic legislation and the boards tasks to make these loan guarantees

and recognize that the basis to the guarantee is going to be the perspective earning power of the companies, together with the character and value of the security that is pledged; and that this package has got to furnish reasonable assurance of the repayment of the loan. And that comes out of the legislation. The regulations that have been put together by the combined efforts of the commerce fed and SEC, attempt to flush this out and really what has been done, the lender and the board are really partners in this deal. The lender documents it, works out the arrangements with the borrower for security, the covenant, the rate, the way repayment goes and then once the lender is satisfied that he has put together a good loan, he comes to the board to get a guarantee. And this is application. The board's criteria, again, is to look at the ability of the borrower to repay the loan and then the collateral, the guarantee percentage, the things that (INAUDIBLE) and then the ability of the lender to really perform, to service and monitor the loan. In doing all of this, we see the lender protecting its interest and at the same time protecting the interest of the board. And because of that relationship we expect that the lender is at risk on his percentage to the same degree as the board is at risk on its percentage. And therefore any recoveries would be shared pari tatoo (ph). That's something that has seemed to be a bit of an issue.

There are a couple of items now that are before the board for a decision, and we would expect in the next day or two for that to be done.

The first is the security and really what the board is looking for is the first lean on the assets that acquired, refinanced, substantially improved, whatever with the proceeds of the loan. And then on any other asset that is being provided as security for this loan, the board wants to be at least equal in status with anyone else that is covered by this loan, by this collateral.

Secondly, and the area of participation, syndication, securitization, the board is expecting that there would be syndication of the loan by the lender, but not securitization. We would expect the lender to agent the deal. We would expect him to continue to participate in it and to perform the service and monitoring functions that we need. The deadline has been a thing of concern to a number of people and we are recommending that the deadline be extended to the end of January. Those things have not happened yet but we expect that they will. I think that those cover the main things that have been popped to us recently and I think we maybe turn it back to the group.

SCHWARTZ (ph): This is Mike Schwartz, from Lehman. One of the key questions that have been batted around here, is exactly what sort of timing of payment is there for the guarantee. Is it something that guarantees timely payment under the loan or ultimate payment? Is there any thought around that?

DIDIS (ph): There are a lot of thoughts around it, because there are so many folks involved in this activity, and being sure everyone is happy with the words of the guarantee. At this point, I'd sort of have to duck that. It is has not been finalized. I can give my guess, but I think at this point we just have to say it's going to be another week or so before we will have that.

SCHWARTZ (ph): OK. You anticipate it will be required that the lender move against the collateral before moving against the guarantee?

DIDIS (ph): Would assume that the lender would expect the borrower to pay his debt and if the lender is forced to call a default, accelerate, he would proceed to try to collect from the borrower.

SCHWARTZ (ph): But he would be required to do that before moving against the guarantee or ...

DIDIS (ph): I do not have the final form of the guarantee in hand at this point ...

SCHWARTZ (ph): ... I understand.

DIDIS (ph): So I really cannot give you a solid answer.

SCHWARTZ (ph): Understand.

UNIDENTIFIED FLEET BANK CALLER: If the banks are lending against ...

BRADEN: Could you identify who you are and your ...

UNIDENTIFIED FLEET BANK CALLER: If the banks are lending against a term loan and a capital expenditure facility and the revolving credit facility, and the bank is looking for a guarantee, not against the revolver, but against the other two, how does the security work?

DIDIS (ph): It depends on whether you cross collateralize.

UNIDENTIFIED FLEET BANK CALLER: If we do cross collateral – assuming we do cross collateralize, does that mean that the guarantor shares in the proceeds of any ...

DIDIS (ph): That would be correct.

DATES (ph): This is Ron Dates, would the cross collateralization have to be first lien, in other words could you give the term loan portion a second lien on the current assets?

DIDIS (ph): Negative. The idea is we have an equal position in this transaction on the guaranteed loan.

DATES (ph): So if there – was two facilities, but no cross collateralization, they could be separate collateral pools.

DIDIS (ph): They could be separate collateral pools. That is correct. We're only talking about the security that's actually being pledged for the loan, the guaranteed loan. Obviously, the better the collateral, the more collateral there is the easier it is for the board to guarantee the loan.

DATES (ph): Does that force the lender to make their, two separate facilities, one the revolver under one loan agreement on a term loan and capital expenditure facility under a different where they're not cross collateralized?

DIDIS (ph): I don't think we're requiring anything in particular. It would be the structure that you would decide best fit your needs and the needs of the borrower.

NIRON SPINSKY (ph): Hi this is Niron Spinsky (ph) from DLJ <Company: Donaldson Lufkin & Jenrette Inc.; Ticker: DLJ; URL: <http://www.dlj.com>> . You mentioned a little bit earlier that it was your expectation that the loan itself would be syndicated, but it was not the intention to have the loan be securitized. Could you explain what your thoughts would be on some type of a public bond issue that is not a securitization, if effect that syndicated loan to security holders as opposed to banks.

DIDIS (ph): I think at this point, it would be difficult for me to set out exactly what – how it would be defined. What I would see is that there would be an initial lender, who would be agent for a syndicate. Going beyond that, and I'm being reminded now that really under the way this whole thing is set up in the legislation, you can't do a bond. We're not going to issue government bonds. We're not going to issue government bonds. So that there would be a lender who would be an agent on this syndicate. Now whether the syndicate would be restricted to having to have at least a minimum participation of a certain amount. I don't know. We're going to have to get some guidelines on that. But the idea would be basically that there would be entities that would be qualified as lenders who would be part of the syndicate, and not a broadly spread, if you will, bond.

SPINSKY (ph): Can these lenders come into the credit after the initial loan has been made; therefore, can one call it agents or underwriter, underwrite the credit and then sell off pieces and basically retain the duties of the lender while you have multiple different entities that are actually holding the credit?

DIDIS (ph): You - it seemed like you had two questions there. It sounded like at first you were talking about a secondary syndication.



SPINSKY (ph): That's correct.

DIDIS (ph): I think we have to think about how that would work. And to what extent that can be worked out. I think we understand that syndication of the loan by a bank is a significant deal. It's the way the market operates and we want to try to be not inconsistent with that, while at the same time maintaining this relationship through the lender, so that there is only one point of contact for the board and the loan, not a multiple of points.

SPINSKY (ph): Must that one point of contact always be the same entity or can that responsibly be transferred? I guess what I'm asking is much the – must be the same entity ...

DIDIS (ph): I – I think that you can do practically anything with the consent of the board, but to just be able to do it without that, I think probably isn't going to fly.

JIM WELLS: This is Jim Wells from Capital. I'd like to know if the acts will accommodate other structures such as leases and synthetics and things like that?

DIDIS (ph): Well, you're getting fancier than what we've envisioned in this whole project. I think frankly, I would have to see what you were talking about before I could make any kind of an answer on this.

WELLS: What I'm envisioning is a single investor lease ...

DIDIS (ph): Yeah ...

WELLS: ... attributes to the assets would be conveyed to the lesser as part of the structure.

DIDIS (ph): You do a leverage lease we'd be providing the debt for the lease?

WELLS: Is it possible to do a leverage lease with the guarantee in place, but it's also possible to do entirely it on a single investor base ...

DIDIS (ph): ... investor lease. ...

WELLS: Essentially you can look at it as tax oriented loan ...

DIDIS (ph): It would seem like that there probably could be something like that drawn up.

WELLS: OK.

DIDIS (ph): But it's not something we've given any thought to.

WELLS: All right.

JOHNSEN: This is Ken Johnsen, from Geneva Steel. With respect to the syndication, assuming that the borrower has a lender willing to fulfill the obligations required by the statute and the regulations, does the board expect to be informed as to exactly the nature of the syndication.

DIDIS (ph): We would certainly – to know the initial syndicate, yes.

DATES (ph): Would the guarantee run in favor of the agent or the lenders?

BRADEN: I'm sorry who was that?

DATES (ph): That was Ron Dates (ph) again.

DIDIS (ph): I think really we would see the lender as being the agent.

DATES (ph): Right. But typically an agent in syndication, for example, the security is granted to the agent for the benefit of the lenders, so that would achieve one of your articulated goals. I think of just dealing with one person.

DATES (ph): All right. That sounds. A follow-up question. Would the ...

BRADEN: Would you identify yourself please?

DATES (ph): This is Ronald Dates (ph) again. Would it be possible to have two tranches, one that represented the guaranteed portion and one that represented the unguaranteed portion?

DIDIS (ph): I don't see how we can do that and still maintain the position that we're looking for. We really are looking to have the lender, or lenders, in the same position that the board is in.

GERTZOFF (ph): It's Mark Gertzoff (ph) from Fleet Capital. In the period after a default when the lender is either pursuing either the collateral or payment under the guaranteed, would accrued interest be guaranteed under the program, or it is just for principal.

DIDIS (ph): The legislation provides for guarantee of principal.

SPINSKY (ph): This is Niron Spinsky (ph) from DLJ again. Would you envision in context of the syndicated loan that post making the loan that the loan could be severely (ph) tradable among lenders in a secondary market?

DIDIS (ph): It depends on what you mean by a secondary market. In a concept of any kind of broad secondary market we would not expect that to be the case.

CHARLES HALL: This is Charles Hall, I'm actually Executive Director of rolling debt (ph) program. I slipped in a little late, but I have a few things to interject. With regard to that, I think the principle idea is we will allow primary syndication, but secondary syndications are not something we want to see. There will probably be retention limits that will be imposed upon the banks, that are in the syndicate. The whole idea is we don't want a freely tradable instrument, and there are a lot of reasons for that, but the idea if you buy the note, you hold the note.

TIM COLEMAN (ph): This is Tim Coleman (ph) of the Blackstone Group (ph). Why is it that syndication, the ongoing trading of banks' positions would be a problem for the loan guarantee board, the way the bank markets work today. So if you don't allow banks to be able to continue to sell their loan in the future, you could eliminate almost all banks on the planet.

DIDIS (ph): One – a couple things there. First element is banks will be allowed to sell if you come to the board and ask for that permission. It's just that the board would like to have the ability to limit who actually owns this note. And the reason really there is you want to limit the actual ability to get – have some sort of recourse to the government. If you have a freely tradable instrument that causes some problems on behalf of the board. Although, there may be inclusion from selling it within the document itself, you could petition the board for sale and we would – the board would have the right to – excuse me for a minute.

We just don't want this to be a freely tradable instrument. We want to know who our partners are basically.

CARACO (ph): In that regard, this is Keith Caraco (ph) with Citibank, if your agent lenders remains the same and they have to do all the work with regards to collecting or anything like that, does it really matter who they participate the loan to then?

DIDIS (ph): Are you talking participation ...

CARACO (ph): ... Assignment

DIDIS (ph): ... really going to ...

CARACO (ph): Are you still dealing with one agent who has to make the decision and do everything, an individual lender per say can't come to the government and ask for the call on the guarantee. The agent would be responsible for that.

DIDIS (ph): But the agent would have to go through his syndicate to get the approval to take action, wouldn't he?

CARACO (ph): Well, I would assume that the type of defaults that would happen, let's say, payments defaults, bankruptcy, ...

DIDIS (ph): Those would be sort of built in ...

CARACO (ph): Right, and that it's pretty black and white when they could call on it and when they couldn't.

DIDIS (ph): Right, ...

CARACO (ph): But if you're always dealing with one agent,...

DIDIS (ph): And that's clearly a key point, there would be only one contact with the board ...

CARACO (ph): And one decision maker for actually making a call on the guarantee ...

DIDIS (ph): Yeah. I think maybe we should think a little on that one, about how we would go with that, because clearly – having the one to one thing that really is the driver and not having something out that's really a bond floating around.

GLEN TILLIS (ph): Glen Tillis (ph) from Lehman Brothers. Can you explain once more the logic of not wanting to have a freely liquid secondary market and maybe we could help you think that through to see if there are ways to meet your needs but also meet the needs of a secondary market?

DIDIS (ph): One of the concerns seems to be that there would multiple claims, multiple decisions being made for a claim against the board, under the guarantee. And that is something the board has said is not going to happen. Therefore, you're running it through, eight ... the lender, the agent, coming through from the application, or if approved some other assigned. And I think that's clearly a big one. The other is that we are not in a position to issue government bonds. And if you can start breaking up this loan into pieces, you're going to get some of this that's going to look a lot like that. And when you start talking synthetics and all, I begin to wonder.

So those are kind of the concerns.

TILLIS (ph): I guess what is the problem if you end of looking like government bonds. What is the ...

DIDIS (ph): You don't have the right to issue them.

TILLIS (ph): You will not have issued them.

DIDIS (ph): And they're technically not government bonds.

TILLIS (ph): They are technically not government bonds, that's a fact.

DIDIS (ph): You will have technically – you still would not have issued anything, you would still be economically in the same place as issuing a guarantee to a single lender. It would just be a mechanism to allow that security to have (INAUDIBLE) and therefore have more value in the marketplace and provide more value to the steel companies.

TILLIS (ph): Is it the crowding out effect that is the concern?

DIDIS (ph): I wouldn't say crowding out, but simply, coming up with something that appears to be perhaps something that it really isn't, and that that comes back at the board as having done something that they're not really authorized to do. This whole idea of a thing looking like a bond, and a government bond was really a significant point to the board.

TILLIS (ph): But it's more than that. It's the requirement really for the loans to be held and not traded, if you will, in the secondary market even if it's a loan.

DIDIS (ph): I'm not – we're not saying it can't be traded, well...

TILLIS (ph): Fighting liquidity ...

DIDIS (ph): ... and how much liquidity is required in this thing. I mean if saying okay, you can sell \$10 million dollar pieces or something like that, that restricts liquidity, but it would maybe let a guy do something.

TILLIS (ph): I don't mean to speak for the group, but I think what you're hearing is a little push back on the lack of secondary market, lack of liquidity, lack of ability to liquefy a loan or a security, costs something to everybody. There's a cost to that.

DIDIS (ph): I mean is somebody wants to write something down and give it to us to look at, I think that's fine.

TILLIS (ph): Because with respect to the first concern articulated about having multiple claims, I think that that could be handled in the documentation. It could be very defined perimeter under which a call on the guarantee would be made, such as the payment default. So you wouldn't be getting, you know, 70 different lenders lobbying in the request for the guarantee. So I think that concern can be addressed. That second concern about, you know, not wanting in any way shape or form appear like a bond that I think that we probably need to work with you on.

DIDIS (ph): As I say, if anybody has something they would like to send us, we would be delighted to take a look at it and pass it around among the group as to what can be done. I think here, we're talking about something that really is not a regulation thing, it is an implementation of the reg.

RICK GERE (ph): This is Rick Gere (ph) from Fleet Capital. One of the requirements of the banks is to submit their write-up.

DIDIS (ph): Yes.

GERE (ph): Who would be reviewing that write-up? Is there a way to keep that out of the public domain?

DIDIS (ph): I certainly – there is certain information that can be more confidential ...

ORZAG (ph): This is John Orzag (ph). Basically any information that is – basically as some of you may know, we – we're subject to FOIA regulations, Freedom of Information Act, and – but the Freedom of Information Act provides that any information that is proprietary in the sense that it would hurt your competitive position, that can be held, that's not subject to FOIA, and thus it would remain confidential.

GERE (ph): Would we have to apply for confidentiality, with respect to the write-up?

ORZAG (ph): I think the regulations spell out what you would do – you mark what is confidential from proprietary information in – when you apply. Basically if there is a FOIA request there's usually a little bit of back and forth. We've had examples here at the Commerce Department when people have put newspaper articles as confidential proprietary information. So obviously – sometimes you just have to justify what is proprietary and as long as you have a reasonable justification then it remains.

WEBER: This is Ed Weber from Acme. Is the confidentiality provision applicable if you should not allow a guarantee, will you return all documents, so that the company can be assured of confidentiality?

ORZAG (ph): The confidentiality – anything that would hurt your competitive positions remains no matter if you get a loan guarantee or if you do not get a loan guarantee.

WEBER: OK. Would the board return those documents if the loan is rejected?

ORZAG (ph): It's something we haven't discussed. I don't see why it would be an issue with us giving them back, but we may need to hold onto them, in terms, there may be issues about justification later on that we may need to have certain documents. But let us sort of chew that one over among the group, and talk to the actual FOIA lawyers and see what we're allowed to do and what we're not.

WEBER: All right, thank you.

GERE (ph): Rick Gere (ph) again from Fleet Capital. There is a couple of points in the program that it mentions reasonable interest rate. Do you have any sense of, obviously it's 85 percent guaranteed if it was zero percent guaranteed there would be no loan, if it was 100 percent guaranteed it would be free loan. Do you have any guideline with respect to what you view as reasonable or is it case by case?

ORZAG (ph): I think it has to be case by case.

HALL: This is Charles Hall. I think what we'll do is look at each case in isolation and we'll make a judgment, as a risk return judgment basically. We'll look at the underlying risk in each particular transaction, and if it basically you have to pass the smell test. Is the rate of interest being charged appropriate. I mean, that's not a very definitive answer, but that's somewhat of a judgment call. One thing to keep in mind on this is you need to - capital requirements that will be imposed upon the banks in holding this paper, I would assume, you can check this yourself, would be less than a normal loan. So there is some opportunity to make an enhancery on this return on this particular piece of paper because it's less than the capital requirement, because of the government guarantee. And that also should prove an incentive – one of the real reasons for this program is to benefit the borrower. One of those benefits is reduced debt service cost. So from the standpoint of the board, we're looking for that benefit to roll to the borrower, to some extent. So we will give preference to those transactions where we see there is some benefit provided to the borrower.

GERE (ph): This is Rick Gere (ph) again. I'm just not sure, given that there would be a 15 percent unguaranteed portion, and given that many of the guarantees will be requested against fixed assets, which may or may not have value in a downside scenario, it's tough to say how that ought to be risk rated, etc. But I guess we'll work through it on a case by case basis.

HALL: I think it has to be that way because it would be some aspects that would, as you say, in a down situation be basically worthless, but other assets might still have some reasonable value and you'd have to have a different rate on the two situations.

UNIDENTIFIED CALLER: You're asking for documentation to be submitted with the application, what type of documentation besides the credit agreement are you envisioning?

HALL: We have, as far as the firm documentation, it would be the loan agreement, with whatever agreement, aside (ph) with the security. We're asking for a lot of other information to be provided at the same time. As far as the projections, past history, the audited financials, you know, is that what you're talking about.

UNIDENTIFIED CALLER: I guess more specifically the legal docs, the credit agreement, and I guess the security agreement, covering the proposed security.

HALL: Right.

UNIDENTIFIED CALLER: OK.

TONY BOONE (ph): This is Tony Boone (ph) from Citibank as well. As we talk about documentation, and obviously the form of guarantee itself becomes something that will be critically focused upon. What is the word on that?

HALL: I wish I had one to hand out today and we do not.

ORZAG (ph): Our target is to have that available next week to you all.

DATES (ph): This is Ron Dates (ph) again. As I understood it, it would be limited solely to the principal?

ORZAG (ph): That is correct. And the legislation spells that out.

DATES (ph): Yes, it says 85 percent of the principal amount.

ORZAG (ph): Up to 85 percent.

DATES (ph): Right. Then the issue become very key as to when the guarantee become enforceable because if you have to proceed after, with all your rights against the collateral, you could be talking years before you would end of having to call the guarantee and if it's only principal, you've lost that use of money for that entire period of time.

HALL: That's understood.

UNIDENTIFIED CALLER: How is the up to 85 percent determined?

HALL: The act allows us to guarantee, allows the board to guarantee up to 85 percent of the principal, however it doesn't say you can't guarantee 50 percent.

DIDIS (ph): That's a choice – if you look at the application form, there's a little space for you to say what you're guaranteed percent is, so it's up to the banks working with the borrower

DATES (ph): Could you get-this is Ron Dates (ph), could you guarantee 50 percent of the principle plus accrued interest but not to exceed in the aggregate 85 percent of principle?

DIDIS (ph): No. It's 80-it only allows us to guarantee principle so thus we could guarantee 85 percent of the principle, 50 percent of the principle, 25 percent, whatever you apply for. And obviously the lower your guarantee percent the more likely you are to get a loan guaranteed because it lessens the exposure of the government.

UNIDENTIFIED CALLER: Therefore in the eyes of the staff and the board the lesser amount that's being guaranteed is considered preferable by your view.

HALL: To the extent that the lender is willing to take greater risk we see the board as taking less risk, yes.

WELLS: This is Jim Wells from GE Capital again. Following on that point, if a steel company decides to put in a new rolling mill or a new furnace, part of the cost to that furnace is soft cost, for engineering, design things like that. When you comment that you can go up to 80-there would be any discussion or decision that would tie the guarantee to the hard asset as opposed to the soft assets?

HALL: I think that you can probably put in as collateral whatever you wanted. I think it would be hard for us to really separate out, you know, what's there, whether it's hard cost or soft cost, in capital program.

WELLS: OK. I just wanted to clarify that.

FRANKEL (ph): This is Jeff Frankel (ph) from MacDonald (ph). Does the board reserve the discretion to knock down the percentage of the loan that is guaranteed? Say for example, the steel company or the lender applies for 85 percent, is it an all or nothing decision? Or might the board come back and say we'll only approve you for 75 percent?

DIDIS (ph): It's an all or nothing to (ph) steel (ph).

HALL: This is Charles Hall. Yeah I think it's-the board is not going to be in a position to negotiate transactions. Basically, you submit an application for what you think is your best transaction. Of course for determination of the board and the board will make a heads up call or a thumbs down call on that.

UNIDENTIFIED CALLER: Is there any way to, as part of the process of negotiating the best deal, contact you to find out whether certain terms are acceptable?

DIDIS (ph): We can't really be in a position of writing in the document. I suspect that we could chat about different ways to go. But it's really-it's really the lender's deal to work out the best arrangement he can. That makes-really makes the sense to the lender, because we're looking at the lender to be making this credit judgement.

ORZACK (ph): This is John Orzack (ph). It's probably worth to add a couple of things here. One, in terms of, you know, one-you know one reason this call is-you know, for example on the record is so that everyone has the same information. So, it would be-it's difficult to answer very specific company directed-or deal directed questions. But then again, there are questions that are more of a general nature that we've been answering for others that we'd be more than happy to answer. So I think it's a little bit of a case by case, but I think there's-there'll be a lot of hesitation if you're getting in specific for the deal, that's up to you all.

HALL (ph): Yeah, I think another element that, this is Charles, another element there, I don't think the board wants to get in the middle of the negotiations between the borrower and the lender. So we'll make once again, a judgement call, based on what's submitted to us. We can certainly advise, but not necessarily give consent to advise with regard to structural elements that you're taking into consideration. So we're very leery about getting in the middle, that's just not our job.

GERE (ph): This is Rick Gere (ph) again from Fleet Capital. Would you expect the bank to have received credit approval prior to submitting an application and prior to knowing whether or not the guarantee would be in a form or in an amount that would allow the bank to approve the deal?

HALL: I would expect that it would be some kind of an approval that would be subject to obtaining the appropriate guarantees. But I would think that the bank basically should be ready to go forward, assuming that they got the guarantee. Not that they would have to go forward without it.

DIDIS (ph): Actually, technically, the legislation is clear that if-if they're willing to go-they can't be willing to go forward without it. So that is actually, you know, one of the conditions laid out in the regulations that, you know, you need to specify clearly that you wouldn't be doing the form without the guarantee.

But if down the-you know, after you get the guarantee you just, you know, you decide not to close the deal that's-with the guarantee that's your all call.

GERE (ph): I think-this is Rick Gere (ph) again-the issue is the amount of work that goes into getting a credit approval and doing the due diligence and hiring the consultants and so on before, seeking credit approval. And then upon receiving credit approval, not knowing what the outcome will be as a guarantee.

HALL: I guess-this is Charles Hall-there's one risk though, by going through that I can see. Being a banker-a former banker myself is that once you submit your request to the board it's non-negotiable-you can't come back and say well my credit committee won't allow me to do this, so changed this element. No. I mean, what you submit will be-will be judged on its face at that time.

So you'd be-I would-I would usher some caution into trying to take that approach because I know how credit committees are. So, I would think-for everyone's best interest would want to know with a reasonable degree of certainty what your transaction is. And how comfortable your particular institution is with it before you submit to the board.

DICK REEDER (ph): This is Dick Reeder (ph) from Wherton Steel (ph). Two questions. The deadline you moved from December to end of January. Does that also move your review date for 60 days after January 31?

ORZAG (ph): And I-I should make clear the extension of that deadline is not a done thing at this point in time. Although we have recommend that it happen.

DICK REEDER (ph): I appreciate that.

ORZAG (ph): Would-it would clearly, I mean, we're going to try to process these applications absolutely as quickly as we can. It depends on the shape these things are in when we get them. It depends on how many we get. But we will try to move them through just, just as fast. But obviously a 30 day break, unless that 30 days gets us a lot better-things in a lot better form, it probably means that the end line is-is in doubt.

DICK REEDER (ph): Secondly once the guarantee is approved by the board, can a borrower modify the use of proceeds?

ORZAG (ph): The way the thing is set up, it would be-it's hard to say that anything is locked in, you know, totally locked up. But the idea would be that the board would know what it was signing up for. And the change in the use of proceeds would have to be something that the board would-would take a look at a minimum. And could result in the thing not being there.

COLEMAN (ph): Could I follow up on Dick Reeder's (ph) questions, Tim Coleman (ph) from Blackstone. Are all of these applications going to be therefore reviewed at the same time and the answers to each of them is going to be delivered on the same day? Or will they be dealt with first come, first serve?

ORZAG (ph): No. It will essentially be a-the window closes and then all applications that are on the right side of the window at that time, they will all be reviewed, and the decision on that group will be made and it will all come out at the same time.

REEDER (ph): If approved-if the application is approved, is there a deadline for drawing (ph) and closing the transaction?

ORZAG (ph): There probably will be-we're going to try to get some guidelines on that sort of thing. But it would give you some time to-to do that.

HALL: We are not going to set any outer limits. We're not going to set any outer limits, I don't believe, and unreasonable outer limits.



ORZAG (ph): It's not going to say that, you know, three days later you got to sign the deal.

HALL: We would-I think from a preferential standpoint we wouldn't want this thing hanging out forever, no. But we would like to see some close-closure there. But-yeah-our intent is to work with the borrowers and the lenders.

ORZAG (ph): And the understanding, of course, is that the end line is December 31, 2005.

BOONE (ph): If you accept them all, rather than a first come, first served, does that imply that you could have taken approach where you ration this scarce resource?

ORZAG (ph): There's certainly going to be an array to determine which of the applications are accepted. And obviously those that seem to provide the best opportunity for-for repayment, meeting the, you know, the various tests would be the ones that would be accepted over some that were of lesser quality.

HALL: But you're right-this is Charles Hall-I mean there is basically a bucket but (ph) we'll keep extracting from the bucket until such time that there's nothing left in the bucket. So we'll (ph) a high grading process as Jay (ph) mentioned.

BOONE (ph): OK.

ORZAG (ph): The one-this is John Orzack (ph)-one caveat just on that is we'll keep picking out of the bucket unless it gets to the point where-where the one-the next one that will be coming out of the bucket is a loan that is the board deems does not have a reasonable chance of repayment.

DIDIS (ph): Yeah, anything that's going to be...

ORZAG (ph): Just so---and there's sort of an absolute hurdle everyone needs to get over first, that is if they-you know sound (ph) and after that is a competitive process.

So there would be-it would be possible that the board would decided that, you know, they could only sign loans to guarantee in the amount of 500 million, 50 (ph), the billion dollars-you just can't make sensible loans to that extent. And that is a-no-could be a possible outcome.

UNIDENTIFIED CALLER: Would you then-if that was the case-would you then re-open up the application process?

ORZAG (ph): I honestly don't know-that is possible. Guarantees could be, you know, under the-the ad (ph) could be made through 2001.

DIDIS (ph): The board on that one-the board is sort of relatively clear that if they would make the decision based upon if A there is available funds obviously and B if there was need following the close of the, you know, the completion of the first window.

The other thing is that legislature in setting this up has in it's wisdom decided that under no circumstances should the steel loans cost the government, more than \$140 million. And so if at some point the power's has decided that they had reached that limit, then the guarantee thing would be dissolved.

SPINSKY (ph): What does that-what does that mean? Let's say you make four \$250 million loans and the first one goes bad instantaneously and basically there's a 250 million hole in the government, does that mean that the other three guarantees that have already been issued are no longer?

DIDIS (ph): No, no. It's based on expected.

SPINSKY (ph): It's base on expected but if actually results end up worse than expected, there will still be funds to make good on the guarantees?

DIDIS (ph): Yes.

SPINSKY (ph): Good, thanks.

ORZAG (ph): They just picked the wrong executive director to make that decision, basically. Or created the wrong program.

HALL: Next step-this is Charles Hall again-what we're going to do is have basically an expected loss determination made. We'll have a model that our consultants will help us originate that will basically - we'll make same kind of judgements you guys make. We'll have expected losses that we will - whatever the expected losses underlying the guarantees we approved reached that limit, then we're functionally out of business.

DATES (ph): This is Ron Dates (ph) again. What was the thinking behind the prohibition on preventing the sale of junior participation? Were the regulations in the - suggest that you have to treat the guaranteed and non-guaranteed portion of the loan in the exact same way?

DIDIS (ph): See, the concept that I tried to lay down at the beginning, the board is not setting up a giant staff to, to review and negotiate transactions. It's looking to the lender to do the documentation...

DATES (ph): Right.

DIDIS (ph): ...to put something together to monitor, you know, take whatever actions are necessary as time goes along. And to - so we ensure that we're both incentivized in sort of the same way, we want the lender in the same boat that the board is in. And therefore, the guaranteed part and the unguaranteed part share equally in monies coming in.

DATES (ph): So there's no way that the lender can hedge the unguaranteed portions is what you're saying?

DIDIS (ph): I think it would be difficult to show us a structure where we would be comfortable with the guarantor - excuse me - with the lender being in a different boat than the guarantor.

CARACO (ph): Unless the 15 percent is in a junior position to the government? Which would actually improve the government's position.

DIDIS (ph): I guess, I couldn't object to having them take a second place. I hadn't really given that one any thought at all.

CARACO (ph): I mean, that just improves your position.

BRADEN: I'm sorry, who was that please?

CARACO (ph): Keith Caraco (ph) with Citibank.

SPINSKY (ph): In the regulations you mentioned that in a refinancing of an existing credit, that the lender has to be different from the lender in the existing credit. In the context of a syndicated credit, would it be permissible to have similar lenders or investors in both the refinance credit and the new credits?

DIDIS (ph): I think the thing that we're trying to avoid in that one was to have this thing come out looking like a bank bail kind of situation, where the guy just simply puts his, you know, the loan into something with an 85 percent guarantee. And that isn't going to work. Now, I think we all recognize that each of these companies probably has a group of lending institutions that they have worked with over the years, that they know and know them. And that because of that, it would be difficult for them to do something not involving some of these same people perhaps, but, you know, it would be a matter of looking at the

structure and seeing what was being done. And if it seemed to the board that this was simply a matter of the lenders getting themselves an 85 percent guarantee, I don't think that that would fly.

BOB WEEDT (ph): This is Bob Weedt (ph) of Paine Webber. How would the board look upon a borrower borrowing money to refinance existing debt, if it was in the form of let's say existing bonds? So you would be paying off the completely different group of lenders with a substituting that with a new group, would significantly reduce the interest burden on the company. I mean, is that an acceptable use of proceeds? Or does it have to be for new plant and equipment, et cetera?

DIDIS (ph): It doesn't - there doesn't have to be for anything. I think any situation like that would be - would be looked at situation by situation and certainly if you could show that by getting this reduced debt service why the company became that much healthier and had that much better chance of going forward, that would sound like it will probably be a good, you know, a reasonable use of proceeds.

SPINSKY (ph): As a follow up to that question from Paine Webber, if we were dealing with a situation where you were refinancing and unsecured credit with a new lower costing unsecured credit, and the company had already pledged the majority of this asset to procure other pieces of financing that you wanted to keep in place, would that be something that the board would consider? Essentially having an unsecured piece of paper.

DIDIS (ph): Understanding that the prospective earning power of the company together with the character and value of the security pledged, must furnish reasonable assurances and repayments of the loan.

SPINSKY (ph): Yeah -if, if you were - if the earnings power of the company as opposed to assets were providing the assurance if - could that be enough to qualify?

DIDIS (ph): I don't think - I don't think we could say just flat out no. But I think you have to say this is a tough one for you to get - to get across that there is substantial enough power.

And I don't know when you say unsecured debt. It just - it sounds like it would almost impossible to do, but I think technically, maybe it is.

HALL: Well, I think - this is Charles Hall - I think the intent of the legislation has actually been in the preamble that Jay (ph) just described is this is the - this program is to be in place to support secured loan transactions. It's not anticipated to be - that we would assume a subordinated position to other creditors. By definition it would be, what you just described, it would in a subordinated position.

ORZAG (ph): Well, it'd be an unsecured credit, I mean...

HALL: Subordinate to the other lenders that have this collateral.

I would think that would be - we haven't really thought about it because, you know, it say in the legislation secured loan transactions, so.

SPINSKY (ph): Well you could still be perry atoo (ph) with other lenders on a payment basis - it's just with respect to specific assets that they have a lien. It's not necessarily be subordinated to them.

HALL: I would call that very problematic.

GERE (ph): This is Rick Gere (ph) from Fleet Capital. Lenders responsibilities are laid out towards the end of the regulations. And to the extent the lender didn't send a financial statement or a notice or didn't do something that it was supposed to do, I just wanted to make sure that once the guarantee was issue, that the guarantee could not be pulled and leave the lender out there with a loan with no guarantee because it failed to do something it was supposed to do.

DIDIS (ph): I think that if the lender failed to do a material thing, that you would have to understand the guarantee could be at risk.

GERE (ph): This guarantee would be problematic from any lender's perspective. Now, I'm not sure what material in your eyes.

DIDIS (ph): Yeah, maybe we have to do a better job of defining material. I mean, for a, you know, you don't send in some routine report on time, is not going to blow the thing away. However, if there was a report that was - would have told us something of great import and you just didn't send that in, that might be a little different.

GERE (ph): What if the - wouldn't it make more sense for some of the more important reports like financial statements be the responsibility of the borrower to send in?

DIDIS (ph): We basically are dealing with the lenders.

GERE (ph): I just don't think you're going to get any lenders that will take any risk at all with respect to having that guarantee potentially pulled, even if they do something like not send financial statements.

HALL: Well, I think - hopefully with a credit agreement you have stipulations and borrowers are required to give you financial statements on certain dates, if they don't that's then a default.

GERE (ph): Sure, we will have those. But the issue is will we remember to send them to you.

HALL: Sure, I mean there's administrative requirement on the part of the bank. I - you know what's going to be an informed banker that's - I can see where there would a little - you want to be a little leery of giving too much responsibility to your bureaucratic, you know, back office. But there is a requirement to do reports for the board.

And as Jay said, our director point of contact will be lender. So in these particular loans, I think they're just going to have to acquire a bit higher standard of care internally. When you have the guarantee that's the benefit of doing this and that you always have to ensure yourself you have your back office staff, that's whoever handles this, report on a timely basis.

DIDIS (ph): The board is not looking to (ph) pull the guarantee, that is not the idea.

GERE (ph): In the form of the guarantee are you going to include the specifics of what the lenders supposed to do so they have a very clear, explicit knowledge of what's expected?

DIDIS (ph): I would hope that with the rags (ph) and the guarantees form and the guidelines that would be provided that we would cover in sufficient detail what the lender has to do.

BOONE (ph): As we talked, this is Tony Boone (ph) again from Citibank, obviously as conversation goes, a lot interest in the form of this guarantee.

DIDIS (ph): Yes.

BOONE (ph): Will there be some kind of comment period on the guarantee itself before it's kind of agreed that this is the final document?

DIDIS (ph): I think John (ph) would like to speak to that one. That's your answer to that question OK.

BOONE (ph): Is that the equivalent of the hook?

DIDIS (ph): The love boat.

BRADEN: Somebody put on their speakerphone.

DIDIS (ph): In terms of that question, I think - you know, we'll put it out as - I think it has to be a sort of kind of thing as - the way these regulations were done where we'll put it out as a document, we'll get it out next week for comments, you know, at - you know sort of things that raise the level we can reissue. I would not expect it to change.

Like for - you know, for example we've heard unique agreements on certain aspects of the regulations and now we're to address so that (INAUDIBLE) with the guidelines that we tried - that we were working by -- (INAUDIBLE) by the same thing on this guarantee agreement.

I hope everyone could hear me over the...

BRADEN: Yeah, I don't know what we do about that.

UNIDENTIFIED CALLER: They don't get a loan.

UNIDENTIFIED CALLER: That's right.

OPERATOR: Pardon me, this is your conference coordinator, did someone signal for assistance?

BRADEN: Yeah, we've got some music.

OPERATOR: OK. Just one moment while I find out whose line is that.

UNIDENTIFIED CALLER: And identify who they are?

UNIDENTIFIED CALLER: That's pretty scary if they can't identify but I bet you they can.

WEEBET (ph): This is Bob Weebet (ph) at Paine Webber again. Will the form of the guarantee be the same for all lenders? Or is it is document that can be negotiated.

DIDIS (ph): It's not a negotiable document. It will be the same.

WEEBET (ph): OK. So the loan agreement themselves will be the documents that's negotiated between agents for the lenders and the company, but the guarantee itself will be - will be the same guarantee, and that's what you get?

DIDIS (ph): Yeah.

ORZAG (ph): That's it. Yes.

WEEBET (ph): OK.

DIDIS (ph): We're no longer in Hawaii so that's...

UNIDENTIFIED CALLER: You know we've talked a lot about the different approaches that people may take. And it would seem to me that it's going to be very difficult for the government to come up with guidelines or clarifications that could cover every scenario. I'm just wondering, once an application goes in or if an application goes in early, will there be some opportunity to get a reaction to it before a decision is made?

DIDIS (ph): I really don't think that that's provided for. Your application comes in and would be discussed on its face.

HALL: I think that's - that's true. I think there's a limit when we do there. But once again, there is an opportunity to dialog with Jay or with my - I guess I'm not going to be involved with this particular element but the dialog with the executive director with any questions or issues that you have prior to submission of the application.

But once the application is in, we're just not going to be in a position to negotiate or alter or change.

ORZAG (ph): If we needed clarification on some point, certainly, you know, we'd feel we could go back and check our math (ph). But that would - kind of be something generated from our side in probably more rare than usual.

BRADEN: John (ph) this is Susan Braden, perhaps, this is a good question the -- I know the steel (ph) workers are Wherton (ph) Steel's Council, Roger Shaggerin (ph) and myself, wrote letter to you with a list of specific questions. Are the answers going to be made public on the web as we have suggested? Or...

ORZAG (ph): Yup. Those - I terms of - I mean Jay (ph) maybe I'll answer this more quickly - more up to date than myself - some of the decisions we've been - we're seeking from the board are directly related to the questions that were submitted.

BRADEN: Correct.

ORZAG (ph): As soon as the board has made their decision we will be making available that - that kind of information in a public way, putting up the Q & As on the Web site.

BRADEN: OK. It seems to me that that might be helpful.

ORZAG (ph): Yup.

BRADEN: In this process. I received this morning a list of questions from Wherton (ph) Steel which, I don't know if they're going to say they feel that they've been covered or not, but I thought that there some good ones that we had - did not have on our list. Dick, do you -- how do you want to proceed on those?

HALL: We probably want Roger submit those to the (INAUDIBLE)

BRADEN: So we can get written answers and get them posted?

HALL: Yes. Sure.

BRADEN: OK.

UNIDENTIFIED CALLER: Excuse me, what is the Web site address.

DIDIS (ph): If you go to the - go to [www.doc.gov](http://www.doc.gov) that's David, Octopus, Charlie dot GOV and if you scroll down to the bottom there's a little box that says like emergency steel loan and oil and gas loan guarantee program. You can just click on that.

UNIDENTIFIED CALLER: Thank you.

DIDIS (ph): You're welcome.

ROGER SHAGGERIN (ph): This is Roger SHAGGERIN (ph) having heard you say that you don't want loan applications filed and then have a dialogue about, gee, maybe you ought to change this or we're concerned about the appraisal of this piece of equipment, whatever might be a dialogue which would ensue. Given that you might be taking a 30 day extension and that Mr. Didis (ph) is available to meet with folks, would you see any problem with - on an informal basis, obviously with no binding to the board with lenders and borrowers coming in with draft loan documents and saying, for example, we got an appraisal

on this piece of equipment that's six months old, it's going take to another 60 days to get a new one, is it - do you think it will be OK to give you this? Or any number of a panoply of questions that might arise. But being able to discuss those with lenders and borrowers, not just in the hypothetical where you're answering all of these questions, but actually, you know, possibly sitting down and reviewing, draft loans documents, but prior to the filing?

ORZAG (ph): Yes. Just thinking about it myself, it's going to be difficult to go through the documentation for a significant number of fields and really do a decent job of taking a look at it.

If there were specific points that people might want to discuss, I mean, you could come in. If I feel, that I couldn't answer on something, I guess I'd just say that I, you know, I can't do any - I can't really comment on that or I can't get into to that. But I don't know that we can promise to review in depth the documentation for a number of deals because I'm not sure we got enough time between now and the end of January to really, really do that intelligently. That's what we're going to try do quickly after the fact. And with the help of some consultants.

SHAGGERIN (ph): What if you have great, great deal in every respect that's - that is the dream deal to the proof and there's technical issue, let's say, the security package that you don't like. Is - I guess what you're doing - is there any like, mechanism for any type of feedback?

ORZAG (ph): At this point there really isn't any mechanism for feedback.

BRADEN: Hello?

UNIDENTIFIED CALLER: I think we just lost the board. OK. Well maybe just zoomed out.

ORZAG (ph): I mean, well, I mean - if it's - I mean one sense - I mean - if your question is, you know, if I'm clear to us on one thing does that disqualify the application? I think the answer there is probably not because we can seek clarifications in, you know, you know, maybe we need more justification because we don't understand what you're after - what you're going after or one thing. That - that we will - would be willing - will be seeking out. But if it's - if it's the kind of thing like we know what you have as your security and we just don't like it but everything else is perfect, that we're not going to be sort of - we're not going to be - because that's essentially a negotiation and we're not.

BRADEN: Ron? Hello?

SHAGGERIN (ph): Hello.

DIDIS (ph): We still have the board.

BRADEN: We lost you again for some reason, I don't know why?

DIDIS (ph): Oh. Did you hear that answer?

BRADEN: No.

DIDIS (ph): We're not - I mean - if the question is, you know, we don't understand what the security is precisely, we need some clarification, that we will seek out clarification, that is not a disqualifying event.

If we know that the security - if we understand what the security it and we don't like it and we like the rest of the deal, that would mean - that - it means that we'd be negotiating as we sort of - as Jay stated earlier, there's not going to be a process for negotiation - so there's just -there will be a process for clarification but not for notification.

ORZAG (ph): Negotiation.

DIDIS (ph): I mean negotiation. Sorry.

ORZAG (ph): Hello?

BRADEN: Do we have any other questions.

ARRY LEWIS (ph): Yes, it's Arry Lewis (ph) at Wasserstein (ph). We have - I guess, a number of the people on the phone here represent companies that are in bankruptcy and I guess I wasn't sure if I heard the board - in terms of the final and the timing of the decision that's made by the board, can you talk to what that timing might be in conjunction with the need for the bankrupt companies to get approval through a plan of reorganization?

DIDIS (ph): Arry (ph) we're talking about the - a window that would close on the 31st of January. And that the basic application from the lender would have to be in at that point in time.

LEWIS (ph): Right. And then - and then the application would come with it, I'm sure most people are thinking of an application that will have a plan of reorganization or at least the outline of a plan that would probably take anywhere up to three or four months to actually implement.

DIDIS (ph): I think the - I think to try - I mean I - let me try one way of answering this and let's see if it answers your question.

ARRY (ph): Right.

DIDIS (ph): If say - suppose the board determined that the application you put in was - were sound, we would be contacting you but the deal would not be closed. One of the requirements before the board will sign the agreement is that all legal and regulatory obligations have been met. For a bankrupt company, one of those is the sign off of a bankruptcy judge.

ARRY (ph): Right.

DIDIS (ph): So that would have - once you have a - you have a preliminary OK from the board, after that you would have the opportunity for - you would have to go to your judge and you get sign off from the judge and then once we have all those obligations then we sign on the dotted line and you do - and it guarantees it.

ARRY (ph): And your preliminary approval of it would have a time frame that would allow us to get that done within the normal bank schedule.

DIDIS (ph): That was a question that was asked before. And in - in terms of that we want to be - we want to work with you on the - so that there's adequate time. But the - I think the - it's an awfully long constraint (ph).

ARRY (ph): Yup.

DIDIS (ph): But the guarantees have to be given by the end of 2001, so, I'd say that...

ARRY (ph): We'll get there.

DIDIS (ph): And I think, you know our goal is to - you know one is to complete the process as quickly as possible but to work with you. So I don't know - will we provide some guidance there?

ORZAG (ph): We will provide some guidance on a time frame for that. And I suspect if that became a problem, a company could come back and petition the board for a further extension, although any time you that you run the risk that you know, the board would say no.



WEBER: This is Ed Weber from Acme. Let me just, I guess, rephrase what you've said. We can submit the application, in a sense with a lender with a conditional to bankruptcy court approval?

DIDIS (ph): Yes.

WEBER: And then you will put a sort of a time frame upon which we would have to receive the bankruptcy court approval to issue the guarantee with a condition on achieving...

DIDIS (ph): Yes. We would just say that assuming that within the appropriate time frame you're back to use with all of the things now signed, sealed. We would then deliver on the guarantee.

WEBER: Alright good. I think that answers it, thank you. Thank you very much.

MIKE LEVELL (ph): This is Mike Levell (ph) with - on behalf of Bank of America. With respect to the administration standards. Is the board considering either through clarifications of the regulations or through guarantee specifically spelling out the events which would cause the lender to lose the guarantee? Such as the waiver of a payment default, or release of materially collateral or something of that sort? Otherwise the concern from a lender standpoint, especially in a syndicated deal is that we've got subject (ph) of administration standards that we - the board feels that we did not live up to those, we could lose the guarantee and in a worst case scenario even have co-lenders pointing a finger at us for liability?

DIDIS (ph): I think that we have to try and come out with the guarantee to spell that out. And I don't know if we, you know, I just have to talk with the lawyers about that. Clearly we would try to give comfort in this area of the guarantee being yanked.

So -it's is not the intention of the board once the guarantee is out, regardless of what happens to try to figure out some way to, you know, to stick it to the lender. That is not the intent. And I think that we can come up with something that with at least some distance towards giving you comfort.

MIKE LEVELL (ph): OK.

DIDIS (ph): OK. Susan I think that maybe you folks have all gotten tired.

BRADEN: That sounds fine. I mean, I think this has been very helpful hopefully. The - to the extent that we have other questions, I mean the Perry (ph) Pursue (ph) issue is one I think I have one suggestion that I'd like to forward to your for - on a written basis, and for a written answer. I've come up with one more idea.

DIDIS (ph): Alright.

BRADEN: And ...

DIDIS (ph): I always accept letters and things.

BRADEN: Right. I mean, I think that's probably the best way of communicating. And you will make an effort to try to advise us through what the Web site is to the answers to the questions so that, I mean, I do think it's helpful because some companies may come up with a question that someone else has interest in and if we all know the answers and the questions at the same, I think it would be really helpful.

DIDIS (ph): I think we'll try perhaps to generalize where we've gotten an number of questions.

BRADEN: Right.

DIDIS (ph): Some of the sets (ph) so we don't take up too much Web site, but...

BRADEN: Yeah, I think that's wise.

DIDIS (ph): I'm trying to address the point.

BRADEN: And I take it that basically - do you have a phone now Jay?

DIDIS (ph): I think so yes.

BRADEN: Do they have - do you have a number?

DIDIS (ph): 219-0591

BRADEN: And do you have preference for how you wish to have - be communicated with? Would you rather people do it in writing or call or?

DIDIS (ph): I think in a number of things, the guys are asking pretty specific questions. I may well have to touch base with one of the lawyers to be sure I know what I'm talking about.

BRADEN: So you're requesting a written?

DIDIS (ph): Written is I think preferable, unless it's just a, you know, a quick thing that we can kick around. I think having stuff in writing is helpful. That way, there's less chance of, you know, misunderstanding.

BRADEN: Correct.

ORZAG (ph): Do you have an email address too?

DIDIS (ph): I think so. But I'm not sure I know what it is.

ORZAG (ph): We'll be able - this is John (ph) Orzag (ph) - on the Web site, we will give a main sort of Web email address that you can email questions to. It won't go - he doesn't get - you know inundated with lots of emails, it won't be Jay's directly, but it will be a main one that somebody will check and make sure that any questions - appropriate questions get answered.

WEBER: This is Weber from Acme. As you address these questions and they require - will they require changes to the regulations or do you plan on going with interpretation?

DIDIS (ph): I would think that what we've talked about here basically is interpretation.

ORZAG (ph): Any change in the regulations needs to be voted on by the board and so, you know, that's a little bit more of a - I think - I hope we've dealt with all those issues and the ones that we're now - that are now in front of the board, and hopefully we'll decisions on very soon. But everything else is interpretation.

WEBER: Alright, thank you.

BRADEN: Are you going issue, you know, kind of like, guidelines of some sort?

DIDIS (ph): Yeah, I think that with the guarantee agreements there would be, you know, some kind of a guideline set out - try to, you know, cover as much of the questilary (ph) as possible.

BRADEN: Is there also - is there anything else that anyone else wishes to raise at this point? Well, if not, I guess what I'll do is just conclude by thanking the - I'm sorry is someone asking a question?

DIDIS (ph): No.

BRADEN: Hello?

DIDIS (ph): I think they said no.

BRADEN: Oh, OK. Well I think we would all express our appreciation for the staff and you Mr. Didis (ph) for taking time to talk with us this afternoon. I hope this is helpful to the lenders that have an interest in the program.

It's my understanding that the board is anxious to make the guarantees and to try to make this, you know, a workable program. I think perhaps some of the banks may have thought at first that that might be insurmountable, hopefully this will go a ways (ph) to helping them better understand your perspective.

And I guess I would just say thank you.

DIDIS (ph): You're welcome. It was a pleasure to chat with all of you folks.

BRADEN: Thank you.

ORZAG (ph): Thank you Susan.

BRADEN: Bye bye.

END